

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0558-01
Bill No.: HB 195
Subject: Law Enforcement Officers and Agencies; Retirement Systems and Benefits -
General
Type: Original
Date: February 4, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	(\$0 or \$3,168,743)	(\$0 or \$3,168,743)

*** The total cost of this proposal increases the system's liability by \$52,673,593. The liability is amortized over 24 years increasing the city's contribution rate by 5.35% of payroll or \$3,168,743 annually. Based on current plan assets, the Police Retirement System of Kansas City could not implement the provisions of this proposal. When plan assets increase the annual cost will be \$3,168,743.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance** state this proposal would not fiscally impact their agency.

The **Joint Committee on Public Employee Retirement** indicates that this legislation does represent a "substantial proposed change" in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of the Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

ASSUMPTION (continued)

An actuarial cost statement for this legislation has been filed with the Joint Committee on Public Employee Retirement.

The actuarial cost statement provided to the Joint Committee on Public Employee Retirement by the Kansas City Police Retirement System (KCPRS) actuary indicates an annual increase of \$3,168,743.

Officials from the **Kansas City Police Retirement System (KCPRS)** stated based on current plan assets, the Police Retirement System of Kansas City could not implement the provisions of this proposal and as a result there is no additional cost in FY 2004, FY 2005 or FY 2006. When plan assets increase and meet the criteria established in the proposal to implement up to a five percent equalizing cost of living adjustment in any one year, the annual cost will be \$3,168,746, which is the cost of amortizing the \$52.67 million increase in the unfunded accrued liability over a twenty four year period. These additional costs can either be paid by increased investment returns on plan assets, which would not require an increase in employer contributions or by a 5.35% increase in the employer contribution rate. This benefit increase applies to a finite group of retirees and as time passes before implementation, the amount of increase in the contribution rate and unfunded accrued liability decreases.

The Kansas City Police Retirement stated this proposal also has no impact on the Civilian Employees' Retirement System of the Police Department of Kansas City.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2004
 (10 Mo.)

FY 2005

FY 2006

Costs - City of Kansas City

Increased Contributions to Police
 Retirement System

\$0

(\$0 or
\$3,168,743)

(\$0 or
\$3,168,743)

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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

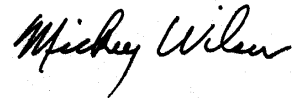
This bill revises provisions pertaining to the Kansas City Police Retirement System. The bill:

- (1) Authorizes any member who retired prior to August 28, 2000, and any member whose pension is payable due to disability and who retired after August 28, 2000, but before August 28, 2001, to receive an equalizing cost-of-living adjustment (COLA) not to exceed an aggregate amount of 25% of the member's base pension. A member is not prohibited from receiving a base pension and legally authorized cost-of-living adjustments;
- (2) Requires the equalizing adjustment to be computed each year on the base pension. The cumulative amount of the adjustment is prohibited from exceeding 25% of the member's base pension;
- (3) Requires the Retirement Board to base its determination to grant the equalizing adjustment on the advice of the plan's actuary in order to maintain the solvency of the trust fund assets used for the retirement system;
- (4) Specifies the effective date of the equalizing adjustment; and
- (5) Defines the terms "member" and "base pension" and applies the terms to the new provisions contained in the bill.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Police Retirement System of Kansas City
City of Kansas City

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 4, 2003